

Deadline to Ensure America Pays Its Bills Looms

Last week, the Treasury Department notified Congress that extraordinary measures to prevent a default will be exhausted on November 5. With less than five weeks left to take action to ensure America can pay its bills, Republican leaders must work with Democrats to prevent the United States from being forced into an unnecessary default. Failure to take action will result in devastating economic impacts, including risking another financial crisis and threatening the jobs of hardworking Americans. Here's a recap of the consequences from Republicans' threatening to not pay America's bills in 2011 and reasons why Speaker Boehner and Majority Leader McCarthy need to address this critical deadline and restore confidence in our financial obligations immediately:

- The debt limit crisis in the summer of 2011 prompted Standard and Poor's to **downgrade the U.S. credit rating from its triple-A status to AA+ with a negative outlook**. This was the first time in history that the agency downgraded America's perfect credit rating. Republican dysfunction played into their decision:
 - S&P: **"The political brinksmanship of recent months highlights what we see as America's governance and policymaking becoming less stable, less effective, and less predictable than what we previously believed."** [ABC News, [8/5/11](#)]
- Delays in raising the debt limit can create uncertainty in the Treasury market and lead to higher Treasury borrowing costs. A 2012 study by the nonpartisan Government Accountability Office estimated that delays in raising the debt limit in 2011 **cost taxpayers approximately \$1.3 billion** for FY 2011. [GAO, [7/23/13](#)]
- The 2011 debt limit debate resulted in **chaos for the stock market**. The Dow Jones Industrial Average plunged "roughly 2,000 points from the final days of July through the first days of August." The Dow also recorded one of its worst single-day drops in history – and the largest one-day point drop since December 2008 – on August 8 when it dropped 635 points following the S&P downgrade. [Council on Foreign Relations, Updated [10/4/13](#)]
- The debt limit debate **intensified U.S. debt holding concerns from foreign creditors**, such as China and Japan, as to whether or not America was the best country in which to invest. [Congressional Research Service, [8/19/13](#)]
- Many American exporters were forced to **bear higher borrowing costs** from rising interest rates. Additionally, "persistent volatility of the dollar will **add force to recent calls by several other countries for an end to its status as the world's reserve currency.**" [Council on Foreign Relations, Updated [10/4/13](#)]
- According to Donald Marron, a former Congressional Budget Office acting director, **"Federal employees, contractors, program beneficiaries, businesses and state and local governments would find themselves suddenly short of expected cash, causing a ripple effect through the economy"** [if there was a standoff over raising the debt limit]. [CNN Money, [9/14/15](#)]

And as a reminder, Republicans have agreed that letting the U.S. default will raise interest rates and harm our national economy:

Senate Budget Committee Republicans: “In a budget bulletin, economist William Beach, who formerly worked at the Heritage Foundation, **warns the nation risks higher borrowing costs if it even gets close to exhausting the extraordinary measures used to avoid hitting the debt limit...Even a momentary failure to pay the nation’s debts could cause long-term increases in borrowing costs, Beach said...**” [Roll Call, [10/2/15](#)]

Speaker John Boehner (R-OH): “I think **raising the debt limit is the responsible thing to do for our country**, the responsible thing for our economy... if we were to fail to increase the debt limit, we would **send our economy into a tailspin.**” [WSJ, [3/2/11](#)]

House Ways & Means Chairman Paul Ryan (R-WI): “Some conservative Republicans have urged their GOP colleagues to resist raising the ceiling.... But House Budget Chairman Rep. Paul Ryan says that tactic isn't viable. ‘Just refusing to vote for it, I don't think that's really a strategy,’ he said, noting that a failure to raise the ceiling could result in the nation defaulting on its debts to investors. ‘Will the debt ceiling be raised? Does it have to be raised? Yes,’ he said at an event sponsored by economics21 and the Manhattan Institute at the National Press Club Thursday.” [NBC News, [1/6/11](#)]

House Financial Services Chairman Jeb Hensarling (R-TX): “House Republican Conference Chairman Jeb Hensarling (Texas)... said on CNN's "State of the Union" that not raising the debt ceiling is not an option... ‘What I do think is, yes, it would be catastrophic to have the nation default upon its debt,’ Hensarling said.” [The Hill, [4/10/11](#)]

In case Republicans forgot, here’s a reminder of what the American people thought of them the last time their party toyed with default:

Following the 2011 debt talks, “a record 82 percent of Americans now disapprove of the way Congress is handling its job — the most since The Times first began asking the question in 1977, and even more than after another political stalemate led to a shutdown of the federal government in 1995.” [New York Times, [8/4/11](#)]

“Only 21 percent of the people surveyed said they approved of Republicans' handling of the negotiations, while 71 percent disapprove... Even half of the Republican respondents (51 percent) voiced disapproval of how members of their own party in Congress are handling the talks.” [CBS News, [7/18/11](#)]

Republican leaders have an opportunity to show the American people that they can take responsible action to get things done on their constituents’ behalf. Democrats will continue to urge Republicans to put partisan political games aside and work in a bipartisan way to ensure our nation pays its bills on time and to strengthen the United States’ creditworthiness and financial standing in the global marketplace.